

# HOUSE BILL No. 1067

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 6-3-3-12.

**Synopsis:** Income tax credit for college choice 529 plan. Increases the income tax credit to up to \$1,500 for contributions to a college choice 529 education savings plan.

**Effective:** July 1, 2016.

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January 5, 2016, read first time and referred to Committee on Ways and Means.

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Second Regular Session of the 119th General Assembly (2016)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2015 Regular Session of the General Assembly.

## HOUSE BILL No. 1067

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

- 1 SECTION 1. IC 6-3-3-12, AS AMENDED BY P.L.182-2009(ss),  
2 SECTION 198, IS AMENDED TO READ AS FOLLOWS  
3 [EFFECTIVE JULY 1, 2016]: Sec. 12. (a) As used in this section,  
4 "account" has the meaning set forth in IC 21-9-2-2.  
5 (b) As used in this section, "account beneficiary" has the meaning  
6 set forth in IC 21-9-2-3.  
7 (c) As used in this section, "account owner" has the meaning set  
8 forth in IC 21-9-2-4.  
9 (d) As used in this section, "college choice 529 education savings  
10 plan" refers to a college choice 529 investment plan established under  
11 IC 21-9.  
12 (e) As used in this section, "contribution" means the amount of  
13 money directly provided to a college choice 529 education savings plan  
14 account by a taxpayer. A contribution does not include any of the  
15 following:  
16 (1) Money credited to an account as a result of bonus points or  
17 other forms of consideration earned by the taxpayer that result in



1 a transfer of money to the account.

2 (2) Money transferred from any other qualified tuition program  
3 under Section 529 of the Internal Revenue Code or from any other  
4 similar plan.

5 (f) As used in this section, "nonqualified withdrawal" means a  
6 withdrawal or distribution from a college choice 529 education savings  
7 plan that is not a qualified withdrawal.

8 (g) As used in this section, "qualified higher education expenses"  
9 has the meaning set forth in IC 21-9-2-19.5.

10 (h) As used in this section, "qualified withdrawal" means a  
11 withdrawal or distribution from a college choice 529 education savings  
12 plan that is made:

13 (1) to pay for qualified higher education expenses, excluding any  
14 withdrawals or distributions used to pay for qualified higher  
15 education expenses if the withdrawals or distributions are made  
16 from an account of a college choice 529 education savings plan  
17 that is terminated within twelve (12) months after the account is  
18 opened;

19 (2) as a result of the death or disability of an account beneficiary;

20 (3) because an account beneficiary received a scholarship that  
21 paid for all or part of the qualified higher education expenses of  
22 the account beneficiary, to the extent that the withdrawal or  
23 distribution does not exceed the amount of the scholarship; or

24 (4) by a college choice 529 education savings plan as the result of  
25 a transfer of funds by a college choice 529 education savings plan  
26 from one (1) third party custodian to another.

27 A qualified withdrawal does not include a rollover distribution or  
28 transfer of assets from a college choice 529 education savings plan to  
29 any other qualified tuition program under Section 529 of the Internal  
30 Revenue Code or to any other similar plan.

31 (i) As used in this section, "taxpayer" means:

32 (1) an individual filing a single return; or

33 (2) a married couple filing a joint return.

34 (j) A taxpayer is entitled to a credit against the taxpayer's adjusted  
35 gross income tax imposed by IC 6-3-1 through IC 6-3-7 for a taxable  
36 year equal to the least of the following:

37 (1) Twenty percent (20%) of the amount of the total contributions  
38 made by the taxpayer to an account or accounts of a college  
39 choice 529 education savings plan during the taxable year.

40 (2) One thousand **five hundred** dollars (~~\$1,000~~). (**\$1,500**).

41 (3) The amount of the taxpayer's adjusted gross income tax  
42 imposed by IC 6-3-1 through IC 6-3-7 for the taxable year,



reduced by the sum of all credits (as determined without regard to this section) allowed by IC 6-3-1 through IC 6-3-7.

(k) A taxpayer is not entitled to a carryback, carryover, or refund of an unused credit.

(l) A taxpayer may not sell, assign, convey, or otherwise transfer the tax credit provided by this section.

(m) To receive the credit provided by this section, a taxpayer must claim the credit on the taxpayer's annual state tax return or returns in the manner prescribed by the department. The taxpayer shall submit to the department all information that the department determines is necessary for the calculation of the credit provided by this section.

(n) An account owner of an account of a college choice 529 education savings plan must repay all or a part of the credit in a taxable year in which any nonqualified withdrawal is made from the account. The amount the taxpayer must repay is equal to the lesser of:

(1) twenty percent (20%) of the total amount of nonqualified withdrawals made during the taxable year from the account; or

(2) the excess of:

(A) the cumulative amount of all credits provided by this section that are claimed by any taxpayer with respect to the taxpayer's contributions to the account for all prior taxable years beginning on or after January 1, 2007; over

(B) the cumulative amount of repayments paid by the account owner under this subsection for all prior taxable years beginning on or after January 1, 2008.

(o) Any required repayment under subsection ~~(o)~~ **(n)** shall be reported by the account owner on the account owner's annual state income tax return for any taxable year in which a nonqualified withdrawal is made.

(p) A nonresident account owner who is not required to file an annual income tax return for a taxable year in which a nonqualified withdrawal is made shall make any required repayment on the form required under IC 6-3-4-1(2). If the nonresident account owner does not make the required repayment, the department shall issue a demand notice in accordance with IC 6-8.1-5-1.

(q) The executive director of the Indiana education savings authority shall submit or cause to be submitted to the department a copy of all information returns or statements issued to account owners, account beneficiaries, and other taxpayers for each taxable year with respect to:

(1) nonqualified withdrawals made from accounts of a college choice 529 education savings plan for the taxable year; or

(2) account closings for the taxable year.

